

# **Child Care Budget for 2003-04 Without Realignment**

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LEGISLATIVE ANALYST'S OFFICE

Presented To:  
Senate Budget and Fiscal Review  
Subcommittee No. 1

April 28, 2003





## Overview of Governor's Proposal

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### **Shift Program and Funding Responsibilities to Counties**

- A centerpiece of the Governor's budget is a realignment of selected state and county programs. This includes shifting responsibility for most state child care programs (excluding California Work Opportunity and Responsibility to Kids [CalWORKs] Stage 1 child care, state preschool, and before and after school programs) to counties.
- Under the Governor's plan, counties would receive a net increase of \$8.2 billion in new tax revenue for the programs proposed for realignment. Of this amount, the budget assumes that \$1,031 million would support child care services.



### **Excludes Revenues From Proposition 98 Calculation and "Rebenches" Proposition 98 to Reflect Transfer of Child Care Programs**

- The Governor's proposal assumes that the realignment revenues would not affect the Proposition 98 minimum guarantee. This is because the new revenues would flow directly into a special fund, and therefore would not count as General Fund tax revenues.
- As part of transitioning child care programs out of Proposition 98, the Governor proposes to rebench the minimum guarantee downward by the amount of Proposition 98 funds provided to these programs in 2002-03. This in effect lowers the minimum guarantee in 2003-04 by about \$879 million.



## Child Care Costs for 2003-04 Without Realignment

**2003-04**  
**(In Millions)**

Child Care Programs Proposed for Realignment—Local Assistance Funding	
	Estimated 2003-04 <sup>a</sup>
General child care	\$616.5
CalWORKs <sup>b</sup> Stage 2	596.8
CalWORKs Stage 3	451.4
Alternative payment	212.3
Migrant day care	32.5
Extended day care	30.0
Campus child care	3.2
Severely handicapped	1.6
Quality improvement	55.5
Resource and referral	16.4
Campus tax bailout	5.8
Local planning councils	5.6
California child care initiative	0.3
<b>Total</b>	<b>\$2,027.9</b>
General Fund (Proposition 98)	\$1,169.9
Federal Funds	858.0
<sup>a</sup> Assumes fully funding the estimated need of Stage 3 child care and no funding for cost-of-living adjustments. <sup>b</sup> California Work and Opportunity and Responsibility to Kids.	



## Child Care Costs for 2003-04 Without Realignment

*(Continued)*

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- ☒ We estimate that to fully fund the child care programs proposed for realignment pursuant to current policy and practice would require a total of \$2,028 million. We also estimate that the state will receive \$858 million from the federal government to support this total cost. Thus, the state would need to provide the remaining \$1,170 million in Proposition 98 funds.
  
  - ☒ This estimate assumes (1) full funding of the child care needs of former CalWORKs families expected to be eligible for Stage 3 child care in 2003-04 and (2) no funding for cost-of-living adjustments in the budget year.
  
  - ☒ We note that our analysis assumes caseload estimates for CalWORKs Stages 2 and 3 based on data collected last fall. Therefore, the costs we identify above could increase or decrease based on revised caseload estimates presented by the administration in the May Revision.



## Fiscal Impact of Not Realigning Child Care

### Alternative 1: Approve No New Taxes for Child Care

#### Proposition 98 Outcomes

- \$879 million increase in the Proposition 98 minimum guarantee from transferring child care programs back into Proposition 98. This would make less funds available for non-Proposition 98 programs.

#### Child Care Funding

- Need \$1,170 million (Proposition 98) to fully fund child care. This is \$291 million more than the \$879 million increase in the minimum guarantee.
- Additional funding required could come from (1) available funds *within* the Proposition 98 minimum funding guarantee that are currently proposed for some other K-14 education purpose or (2) funds provided *on top of* the state's minimum funding requirement for Proposition 98 (requiring non-Proposition 98 reductions).

### Alternative 2: Approve \$1,031 Million in New Taxes for Child Care

#### Proposition 98 Outcomes

- \$1,395 million increase in the Proposition 98 minimum guarantee. This amount includes (1) \$879 million from transferring child care programs back into Proposition 98 and (2) \$516 million from new General Fund revenues required to go to K-14 education.
- The \$1,395 million increase is \$364 million more than the \$1,031 million in new revenue from increased taxes. This would make less funds available for non-Proposition 98 programs.

#### Child Care Funding

- Need \$1,170 million (Proposition 98) to fully fund child care. This is \$225 million *less* than the \$1,395 million increase in the minimum guarantee.
- However, the Legislature would be required to appropriate the remaining \$225 million for K-14 education



## What About Suspending Proposition 98?

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- ☒ Proposition 98 itself provides a means by which the Legislature can appropriate less than otherwise would be required for a given fiscal year. This means is called “suspension”—and requires passage of a bill, other than the budget bill, by two-thirds vote.
- ☒ The amount of General Fund saved by suspension does not need to be paid back. Instead the minimum funding guarantee in subsequent years must return to the level that would exist if suspension had never occurred. This means that savings from suspension are essentially one-time.